PARADISE

PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The directors of Paradise Entertainment Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000* (restated)
TURNOVER	*5*	**325,224**	219,329
Cost of sales and services		**(227,662)**	(206,323)
Gross profit		**97,562**	13,006
Other operating income		**3,143**	6,575
Marketing, selling and distribution costs		**(39,234)**	(32,463)
Administrative expenses		**(93,841)**	(83,683)
Share-based payments		–	(1,234)
Research and development cost		**(2,725)**	(2,699)
Impairment loss for doubtful debts		**(116)**	(187)
Impairment loss on property, plant and equipment		**(10,270)**	(529)
Impairment loss on intangible assets		**(66,837)**	(1,059)
Impairment loss on payments for investments		**(40,074)**	(6,143)
Finance costs	*6*	**(18,508)**	(11,657)
Fair value loss on derivative financial instruments		–	(3,148)
Gain on derecognition of derivative financial instruments		**1,302**	10,725
Gain on deemed disposal of a subsidiary		–	15,600
Loss before tax		**(169,598)**	(96,896)
Income tax expenses	*7*	**2,359**	(2,545)
Loss for the year	*8*	**(167,239)**	(99,441)
Attributable to:			
Owners of the Company		**(167,234)**	(99,441)
Non-controlling interests		**(5)**	–
		(167,239)	(99,441)
Loss per share (HK cents)	*10*		
– Basis		**(37.88)**	(25.72)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000 (restated)	1/1/2008 HK$'000 (restated)
Non-current assets				
Property, plant and equipment		**154,574**	153,793	117,241
Investment property		**–**	–	4,850
Intangible assets		**–**	78,632	79,832
Interest in an associate		**–**	–	–
Deposits paid for acquisition of non-current assets		**–**	945	15,292
Payments for investments		**–**	40,074	42,478
Deposit paid for acquisition of a subsidiary		**7,800**	7,800	7,800
		162,374	281,244	267,493
Current assets				
Inventories		**21**	193	25
Debtors, deposits and prepayments	*11*	**32,398**	35,738	46,944
Advances to consulting companies		**–**	29,071	52,083
Bank and cash balances		**44,853**	43,954	69,402
		77,272	108,956	168,454
Current liabilities				
Creditors and accrued charges	*12*	**62,710**	76,573	78,531
Amounts due to directors	*13*	**6,508**	1,550	1,411
Amount due to a related party	*13*	**2,106**	58	60
Other borrowings – due within one year		**58,515**	10,029	–
Obligations under finance leases – due within one year		**249**	257	242
Derivative financial instruments		**–**	–	7,577
Redeemable voting preference shares		**–**	–	13,978
Convertible loans – due within one year		**–**	73,933	–
Current tax liabilities		**2,410**	2,594	3,332
		132,498	164,994	105,131
Net current (liabilities) assets		**(55,226)**	(56,038)	63,323
Total assets less current liabilities		**107,148**	225,206	330,816

	Notes	2009 *HK$'000*	2008 *HK$'000* (restated)	1/1/2008 *HK$'000* (restated)
Non-current liabilities				
Other borrowings – due after one year		**9,200**	39,006	–
Obligations under finance leases – due after one year		**–**	249	506
Convertible loans – due after one year		**66,214**	12,504	72,174
Deferred tax liabilities	*14*	**–**	13,976	11,804
		75,414	65,735	84,484
Net assets		**31,734**	159,471	246,332
Capital and reserves				
Share capital		**48,971**	38,659	38,659
Reserves		**(17,287)**	120,812	207,673
Equity attributable to owners of the Company		**31,684**	159,471	246,332
Non-controlling interests		**50**	–	–
Total equity		**31,734**	159,471	246,332

Notes:

1. INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Basis for disclaimer of opinion

1. Limitation of scope – Prior year's audit scope limitation affecting opening balances of intangible assets, payments for investments, property, plant and equipment and deferred tax liabilities in connection with the Group's biopharmaceutical business.

   The consolidated financial statements for the year ended 31 December 2008 contained a disclaimer audit opinion on whether the Group had made adequate provision for impairment in value in respect of the Group's intangible assets, payments for investments and property, plant and equipment ("These Assets") and the related deferred tax liabilities on the intangible assets relating to the beneficial rights to drugs under development not yet available for use.

   As stated in note 3 to the consolidated financial statements, prior period adjustments for impairment loss of approximately HK$10,688,000, HK$18,524,000 and HK$5,336,000 was made for These Assets for 31 December 2007 and HK$1,246,000, HK$6,143,000 and HK$529,000 was made for These Assets for 31 December 2008. The related deferred tax liabilities has been reversed by approximately HK$1,603,000 and HK$1,184,000 for 31 December 2007 and 2008 respectively.

   We have not been able to ascertain the accuracy and adequacy of the prior period adjustments made for the impairment loss of approximately HK$10,688,000, HK$18,524,000, HK$5,336,000 and HK$1,246,000, HK$6,143,000, HK$529,000 in respect of These Assets and the reversal of the related deferred tax liabilities of approximately HK$1,603,000 and HK$1,184,000 for the years ended 31 December 2007 and 2008 respectively as we were unable to substantiate the appropriateness of the assumptions and basis made by the management in the forecast which was used to determine the fair value of These Assets for the years ended 31 December 2007 and 2008.

   Any adjustments found to be necessary in respect thereof would have a consequential effect on the net assets of the Group as at 31 December 2009, the results of the Group for the years ended 31 December 2009 and 2008 and the related disclosures thereof in the consolidated financial statements.

2. Limitation of scope – Current year's audit scope limitation regarding the impairment loss recognised for intangible assets, payments for investments, property, plant and equipment and deferred tax liabilities in connection with the Group's biopharmaceutical business.

   The management has made an assessment on the fair value of These Assets individually as at 31 December 2009. As stated in note 8 to the consolidated financial statements, further impairment loss of approximately HK$66,837,000, HK$40,074,000 and HK$10,270,000 was made for These Assets for 31 December 2009 and the related deferred tax liabilities has been fully reversed by approximately HK$13,976,000 for 31 December 2009.

   Included in the above impairment losses were amounts of approximately HK$30,119,000 and HK$2,606,000 made for drugs of which application had been made to State Food and Drug Administration of the People's Republic of China, which were included in payments for investments and property, plant and equipment respectively. We were unable to obtain sufficient evidence to substantiate the appropriateness of the assumptions and basis made by the management to justify that full provision for impairment loss was required for the drugs as at 31 December 2009.

   Any adjustments found to be necessary in respect thereof would have a consequential effect on the net assets of the Group as at 31 December 2009, the results of the Group for the years ended 31 December 2009 and 2008 and the related disclosures thereof in the consolidated financial statements.

Disclaimer of opinion: disclaimer on view given by consolidated financial statements

Because of the significance of the matters described in the basis of opinion paragraph points 1 and 2 only, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRS (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRS (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the financial statements of the Group and the Company for the current and prior accounting periods.

(a) HKAS 1 (Revised) – Presentation of Financial Statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or company statement of financial position at 1 January 2008 and accordingly this statement are not presented.

(b) HKFRS 7 Financial instruments – Disclosures (Amendment)

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

(c) HKFRS 8 – Operating Segment

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 3 (Revised) and HKFRS 27 (Revised) may result in changes in accounting policies and the adoption of HKAS 24 (Revised) may affect the disclosures of related party transactions, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. PRIOR PERIOD ADJUSTMENTS

During the year ended 31 December 2009, the management reviewed again the Group's impairment assessment on the Group's tangible and intangible assets as at 31 December 2007 and 2008. As a consequence, the management resolved to make the following adjustments, which are due to prior period errors, to the Group's statement of financial position as at 31 December 2007 and 2008 and the results for the years ended 31 December 2007 and 2008.

The following is a summary of the effects on adjustments on:

	As previously reported 2007	Prior period adjustments for 2007	As restated 2007
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER	130,519		130,519
Cost of sales and services	(110,871)		(110,871)
Gross profit	19,648		19,648
Other operating income	4,159		4,159
Marketing, selling and distribution costs	(17,732)		(17,732)
Administrative expenses	(67,602)		(67,602)
Share-based payments	(63,674)		(63,674)
Research and development cost	(2,526)		(2,526)
Impairment loss for doubtful debts	(3,689)		(3,689)
Impairment loss on property, plant and equipment	–	(5,336)	(5,336)
Impairment loss on intangible assets (net of reversal of deferred tax liabilities)	–	(9,085)	(9,085)
Impairment loss on payments for investments	–	(18,524)	(18,524)
Finance costs	(3,844)		(3,844)
Fair value loss on derivative financial instruments	(36,817)		(36,817)
Loss before tax	(172,077)		(205,022)
Income tax expenses	(374)		(374)
Loss for the year	(172,451)		(205,396)
Attributable to:			
Owners of the Company	(172,451)		(205,396)
Non-controlling interests	–		–
	(172,451)		(205,396)
Loss per share (HK cents)			
– Basis (as adjusted for share consolidation taken place in 2009)	(50.71)		(60.40)
– Diluted	N/A		N/A

	As previously reported 2007 *HK$'000*	Prior period adjustments for 2007 *HK$'000*	As restated 2007 *HK$'000*
Non-current assets			
Property, plant and equipment	122,577	(5,336)	117,241
Investment property	4,850		4,850
Intangible assets	90,520	(10,688)	79,832
Interest in an associate	–		–
Deposits paid for acquisition of non-current assets	15,292		15,292
Payments for investments	61,002	(18,524)	42,478
Deposit paid for acquisition of a subsidiary	7,800		7,800
	302,041		267,493
Current assets			
Inventories	25		25
Debtors, deposits and prepayments	46,944		46,944
Advances to consulting companies	52,083		52,083
Bank and cash balances	69,402		69,402
	168,454		168,454
Current liabilities			
Creditors and accrued charges	78,531		78,531
Amounts due to directors	1,411		1,411
Amount due to a related party	60		60
Other borrowings – due within one year	–		–
Obligations under finance leases – due within one year	242		242
Derivative financial instruments	7,577		7,577
Redeemable voting preference shares	13,978		13,978
Convertible loans – due within one year	–		–
Current tax liabilities	3,332		3,332
	105,131		105,131
Net current assets	63,323		63,323
Total assets less current liabilities	365,364		330,816

	As previously reported 2007 *HK$'000*	Prior period adjustments for 2007 *HK$'000*	As restated 2007 *HK$'000*
Non-current liabilities			
Other borrowings – due after one year	–		–
Obligations under finance leases – due after one year	506		506
Convertible loans – due after one year	72,174		72,174
Deferred tax liabilities	13,407	(1,603)	11,804
	86,087		84,484
Net assets	279,277		246,332
Capital and reserves			
Share capital	38,659		38,659
Reserves	240,618	(32,945)	207,673
Equity attributable to owners of the Company	279,277		246,332
Non-controlling interests	–		–
Total equity	279,277		246,332

	As previously reported 2008 *HK$'000*	Prior period adjustments for 2008 *HK$'000*	As restated 2008 *HK$'000*
TURNOVER	219,329		219,329
Cost of sales and services	(206,323)		(206,323)
Gross profit	13,006		13,006
Other operating income	6,575		6,575
Marketing, selling and distribution costs	(32,463)		(32,463)
Administrative expenses	(83,683)		(83,683)
Share-based payments	(1,234)		(1,234)
Research and development cost	(2,699)		(2,699)
Impairment loss for doubtful debts	(187)		(187)
Impairment loss on property, plant and equipment	–	(529)	(529)
Impairment loss on intangible assets (net of reversal of deferred tax liabilities and related income tax expenses)	–	(1,059)	(1,059)
Impairment loss on payments for investments	–	(6,143)	(6,143)
Finance costs	(11,657)		(11,657)
Fair value loss on derivative financial instruments	(3,148)		(3,148)
Gain on derecognition of derivative financial instruments	10,725		10,725
Gain on deemed disposal of a subsidiary	15,600		15,600
Loss before tax	(89,165)		(96,896)
Income tax expenses	(3,542)	997	(2,545)
Loss for the year	(92,707)		(99,441)
Attributable to:			
Owners of the Company	(92,707)		(99,441)
Non-controlling interests	–		–
	(92,707)		(99,441)
Loss per share (HK cents)			
– Basis (as adjusted for share consolidation taken place in 2009)	(23.98)		(25.72)
– Diluted	N/A		N/A

	As previously reported 2008 *HK$'000*	Prior period adjustments for 2007 *HK$'000*	Prior period adjustments for 2008 *HK$'000*	As restated 2008 *HK$'000*
Non-current assets				
Property, plant and equipment	159,658	(5,336)	(529)	153,793
Intangible assets	90,566	(10,688)	(1,246)	78,632
Interest in an associate	–			–
Deposits paid for acquisition of non-current assets	945			945
Payments for investments	64,741	(18,524)	(6,143)	40,074
Deposit paid for acquisition of a subsidiary	7,800			7,800
	323,710			281,244
Current assets				
Inventories	193			193
Debtors, deposits and prepayments	35,738			35,738
Advances to consulting companies	29,071			29,071
Bank and cash balances	43,954			43,954
	108,956			108,956
Current liabilities				
Creditors and accrued charges	76,573			76,573
Amounts due to directors	1,550			1,550
Amount due to a related party	58			58
Other borrowings – due within one year	10,029			10,029
Obligations under finance leases – due within one year	257			257
Convertible loans – due within one year	73,933			73,933
Current tax liabilities	2,594			2,594
	164,994			164,994
Net current liabilities	(56,038)			(56,038)
Total assets less current liabilities	267,672			225,206

	As previously reported 2008 *HK$'000*	Prior period adjustments for 2007 *HK$'000*	Prior period adjustments for 2008 *HK$'000*	As restated 2008 *HK$'000*
Non-current liabilities				
Other borrowings – due after one year	39,006			39,006
Obligations under finance leases – due after one year	249			249
Convertible loans – due after one year	12,504			12,504
Deferred tax liabilities	16,763	(1,603)	(1,184)	13,976
	68,522			65,735
Net assets	199,150			159,471
Capital and reserves				
Share capital	38,659			38,659
Reserves	160,491	(32,945)	(6,734)	120,812
Equity attributable to owners of the Company	199,150			159,471
Non-controlling interests	–			–
Total equity	199,150			159,471

4. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately HK$55,226,000 and incurred loss of approximately HK$167,239,000 for the year then ended. In the opinion of the directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the arrangements which include, but are not limited to, the following:

1. the directors anticipate that the Group will generate positive cash flows from its businesses;

2. the directors have implemented measures to tighten cost controls over various marketing, selling and distribution costs and administrative expenses and to improve the Group's positive cashflow positions and operating results.

3. The Group has received HK$212,450,000 in respect of the subscription agreement I, II and III for convertible debentures, details please refer to note 16.

On the basis that the continuing availability of the financial supports provided by independent third parties and the implementation of other measures with a view to improve its working capital and net financial position, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2009. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

5. TURNOVER AND SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

Biopharmaceutical	–	Research, development and sale of biopharmaceutical products
Gaming	–	Provision of management services, development, provision and sales of electronic gaming system

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) are managed on a group basis and are not allocated to operating segments.

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2009 and 2008, respectively.

(a) Business segments

For the year ended 31 December 2009

	Biophar-maceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Revenue				
Revenue from external customers	124,403	200,821	–	325,224
Segment results	(128,270)	(4,455)	2,251	(130,474)
Unallocated operating income				–
Unallocated corporate expenses				(21,918)
Finance costs				(18,508)
Gain on derecognition of derivative financial instruments				1,302
Loss before tax				(169,598)
Income tax expenses				2,359
Loss for the year				(167,239)

As at 31 December 2009

	Biophar-maceutical HK$'000	Gaming HK$'000	Others HK$'000	Total HK$'000
Assets				
Segment assets	**25,452**	**199,268**	**961**	**225,681**
Unallocated assets				**13,965**
Total assets				**239,646**
Liabilities				
Segment liabilities	**42,808**	**64,701**	**47**	**107,556**
Unallocated liabilities				**100,356**
Total liabilities				**207,912**
Other information				
Capital expenditures	**488**	**45,474**	**15**	**45,977**
Depreciation of property, plant and equipment	**7,121**	**24,744**	**442**	**32,307**
Impairment loss on property, plant and equipment	**10,270**	**–**	**–**	**10,270**
Impairment loss on intangible assets	**66,837**	**–**	**–**	**66,837**
Impairment loss on payments for investments	**40,074**	**–**	**–**	**40,074**
Impairment loss for amount due from an associate	**–**	**–**	**116**	**116**

For the year ended 31 December 2008

	Biopharmaceutical HK$'000 (restated)	Gaming HK$'000	Others HK$'000	Total HK$'000 (restated)
Revenue				
Revenue from external customers	124,402	94,927	–	219,329
Segment results	(18,183)	(65,050)	2,387	(80,846)
Unallocated operating income				202
Unallocated corporate expenses				(31,232)
Finance costs				(11,657)
Fair value loss on derivative financial instruments				(3,148)
Gain on derecognition of derivative financial instruments				10,725
Gain on deemed disposal of a subsidiary				15,600
Gain on disposal of an investment property				3,460
Loss before tax				(96,896)
Income tax expenses				(2,545)
Loss for the year				(99,441)

As at 31 December 2008

	Biopharmaceutical HK$'000 (restated)	Gaming HK$'000	Others HK$'000	Total HK$'000 (restated)
Assets				
Segment assets	186,407	138,352	1,016	325,775
Unallocated assets				64,425
Total assets				390,200
Liabilities				
Segment liabilities	54,150	37,018	52	91,220
Unallocated liabilities				139,509
Total liabilities				230,729

	Biopharmaceutical HK$'000 (restated)	Gaming HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000 (restated)
Other information					
Capital expenditure	30	66,784	–	108	66,922
Depreciation of property, plant and equipment	6,927	22,533	119	397	29,976
Gain on disposal of property, plant and equipment	76	–	–	–	76
Gain on disposal of an investment property	–	–	–	3,460	3,460
Loss on disposal of financial assets at fair value through profit or loss	–	–	–	487	487
Impairment loss on property, plant and equipment	529	–	–	–	529
Impairment loss on intangible assets	1,059	–	–	–	1,059
Impairment loss on payments for investments	6,143	–	–	–	6,143
Impairment loss for amount due from an associate	–	–	–	187	187
Share-based payments	–	–	–	1,234	1,234

(b) Geographical segments

	Revenue		Total assets		Capital expenditure	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The PRC and Hong Kong	**124,403**	124,402	**40,715**	131,475	**503**	10,762
Macau	**200,821**	94,927	**198,931**	258,725	**45,474**	56,160
	325,224	219,329	**239,646**	390,200	**45,977**	66,922

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interests on:		
Other borrowings wholly repayable within five years	**8,069**	3,160
Obligations under finance leases wholly repayable within five years	**22**	37
Bank overdraft	**44**	4
Effective interests on:		
Convertible loans	**10,373**	6,834
Redeemable voting preference shares	**–**	1,622
	18,508	11,657

7. INCOME TAX EXPENSES

	2009	2008
	HK$'000	*HK$'000*
		(restated)
Current tax		
– current year	**–**	186
Deferred tax		
– attributable to a change in tax rate *(note 14)*	**(2,359)**	2,359
	(2,359)	2,545

(i) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax had been made as the Group did not generate any assessable profits in Hong Kong during both years.

(ii) PRC Enterprise Income Tax

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The Company and certain subsidiaries which are enjoying the tax holiday will continue until expiry while the preferential tax rates disclosed below will continue after the New Law.

Pursuant to the notice issued by the PRC tax authorities, the applicables tax rate of the Company's subsidiary, Hainan Kangwei Medicine Co., Ltd. ("Hainan Kangwei") for 2008, 2009, 2010 and 2011 is 18%, 20%, 22% and 24% respectively. Hainan Kangwei is subjected to PRC Enterprise Income Tax rate of 25% commencing from 1 January 2012.

For other operating subsidiaries established in the PRC, PRC Enterprise Income Tax is calculated at the rate of 25% (2008: 25%) prevailing in the PRC during both years with certain tax preference.

No provision for PRC Enterprise Income Tax had been made as the Group's subsidiaries either were enjoying tax holiday or did not generate any assessable profits during both years.

(iii) Overseas income tax

Tax charge on assessable profits elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The charge for the year can be reconciled to the loss before tax per consolidated income statement is as follows:

	2009	2008
	HK$'000	*HK$'000*
		(restated)
Loss before tax	**(169,598)**	(96,896)
Tax at PRC Enterprise Income Tax rate of 25% (2008: 25%)	**(42,400)**	(24,224)
Tax effect of expenses not deductible for tax purpose	**33,965**	15,302
Tax effect of income not taxable for tax purpose	**(349)**	(545)
Tax effect of tax losses not recognised	**3,280**	4
Utilisation of tax loss previously not recognised	**763**	–
(Reversal of) increase in deferred tax liabilities resulting from an increase in applicable tax rate	**(2,359)**	2,359
Tax effect of different tax rates of subsidiaries operating in other jurisdiction	**4,741**	9,649
Income tax expenses	**(2,359)**	2,545

8. LOSS FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
		(restated)
Loss for the year has been arrived at after charging:		
Auditors' remuneration	**700**	700
Cost of inventories recognised as expenses	**112,514**	122,008
Depreciation of property, plant and equipment	**32,307**	29,976
Direct operating expenses in respect of an investment property that did not generate rental income	**61**	42
Loss on disposal of financial assets at fair value through profit or loss	**–**	487
Operating lease rentals paid in respect of rented premises	**5,363**	4,567
Impairment loss on property, plant and equipment *(note)*	**10,270**	529
Impairment loss on intangible assets *(note)*	**66,837**	1,059
Impairment loss on payments for investments *(note)*	**40,074**	6,143
Impairment loss for amount due from an associate	**116**	187
Impairment loss for amount due from a non-controlling shareholder of a subsidiary	**55**	–
Staff costs		
– Directors' emoluments	**6,690**	8,448
– Other staffs		
– Salaries and other benefits	**30,297**	34,749
– Equity settled share-based payments	**–**	702
– Retirement benefits scheme contributions	**645**	556
Total staff costs	**37,632**	44,455

Note:

Impairment loss in connection with the Group's biopharmaceutical business

The management had conducted a thorough review on the Group's biopharmaceutical business. Based on the result of the review, the management resolved to make full impairment loss of approximately HK$66,837,000, HK$40,074,000 and HK$10,270,000 to the Group's intangible assets, payments for investments and property, plant and equipment as at 31 December 2009 and fully reversed the related deferred tax liabilities of approximately HK$13,976,000 (note 14) as at 31 December 2009.

9. DIVIDENDS

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
Loss			
Loss for the purpose of calculating basic loss per share	**(167,239)**	(99,441)	(205,396)

	2009	2008	2007
		(restated)	(restated)
Number of shares			
Issued ordinary shares at 1 January	**3,865,897,919**	3,865,897,919	3,038,297,919
Effect of issue of shares on placement	**–**	–	11,506,849
Effect of conversion of convertible loans	**548,972,603**	–	143,013,698
Effect of exercise of share options	**–**	–	95,435,890
Effect of exercise of warrants	**–**	–	112,328,767
Share consolidation *(note)*	**(3,973,383,470)**	(3,479,308,128)	(3,060,524,811)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**441,487,052**	386,589,791	340,058,312

Note:

At a special general meeting of the Company held on 29 September 2009, resolutions in respect of capital reorganisation were passed by way of poll. Capital reorganisation comprised (i) the share consolidation of every 10 shares of HK$0.01 each into 1 consolidated share of HK$0.10 and (ii) the increase of the authorised share capital of the Company. Immediately upon the capital reorganisation becoming effective, the authorised share capital of the Company was HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each and 489,714,791 shares were in issue.

As the effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2009 and 2008, no diluted loss per share was presented for both years.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009	2008
	HK$'000	*HK$'000*
Trade debtors	**32,719**	29,812
Less: Accumulated impairment loss	**(10,301)**	(10,301)
	22,418	19,511
Other debtors, deposits and prepayments	**9,980**	16,227
	32,398	35,738

The Group normally allows a credit period of 30 days and 90 to 180 days to its gaming partners and trade debtors respectively. The credit policy is consistent with the gaming and biopharmaceutical industry practice in Macau and the PRC respectively.

An ageing analysis of the trade debtors net of impairment loss recognised at the end of the reporting period is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**15,232**	7,642
31-60 days	**5,907**	4,160
61-90 days	**1,279**	1,486
91-180 days	**–**	5,004
181-365 days	**–**	1,219
	22,418	19,511

The movement in the impairment loss for trade debtors is as follows:

	2009	2008
	HK$'000	*HK$'000*
Balance at the beginning of the year	**10,301**	10,301
Impairment loss recognised in consolidated income statement	**–**	–
Balance at the end of the year	**10,301**	10,301

The Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment was recognised. The Group does not hold any collateral over these balances.

As of 31 December 2009, no trade debtors (2008: approximately HK$1,219,000) were past due but not impaired. An ageing analysis of these trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
181 – 365 days	**–**	1,219

Trade debtors that were past due but not impaired related to a number of customers that are the major biopharmaceutical providers in the PRC and have a good track record with the Group. Based on past experience, the management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. CREDITORS AND ACCRUED CHARGES

An ageing analysis of trade creditors, based on the date of receipt of goods is as follows:

	2009	2008
	HK$'000	*HK$'000*
With 30 days	**7,356**	12,476
31 – 60 days	**2,713**	5,332
61 – 90 days	**3,605**	7,684
91 – 180 days	**5,703**	12,901
More than 365 days	**249**	202
Trade creditors	**19,626**	38,595
Other creditors and accrued charges	**34,671**	29,923
Value added tax payable	**8,413**	8,055
	62,710	76,573

13. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	Directors		Associate		Related party	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Consultancy fees paid to *(note a & b)*	**–**	–	**–**	–	**221**	534
Salaries and allowances paid to *(notes b & c)*	**–**	–	**–**	–	**1,200**	1,200
Amount due from *(note d & e)*	**–**	–	**9,301**	9,185	**–**	–
Amount(s) due to *(note c & d)*	**6,508**	1,550	**–**	–	**2,106**	58

Notes:

(a) The related party is the son of a director, Mr. Shan Shiyong, alias, Sin Sai Yung.
(b) The transactions were charged at predetermined amounts agreed between the parties involved.
(c) The related party is the spouse of a director, Mr. Jay Chun.
(d) The amounts due are unsecured, interest free and have no fixed terms of repayment.
(e) Approximately HK$116,000 (2008: HK$187,000) impairment has been made for the year for the amount due from an associate.
(f) The Group's obligations under finance leases as set out in notes to the financial statements are secured by the personal guarantee executed by a director, Mr. Jay Chun.

14. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group:

	Intangible assets *HK$'000* (restated)
At 1 January 2008	11,804
Reversal due to impairment loss on intangible assets – initial recognition	(187)
Effect of change in tax rate *(note 7)*	2,359
At 31 December 2008 and 1 January 2009	13,976
Reversal due to impairment loss on intangible assets – initial recognition	(11,617)
– change of tax rate *(note 7)*	(2,359)
	(13,976)
At 31 December 2009	–

At 31 December 2009, the Group has unused tax losses of approximately HK$138,574,000 (2008: HK$141,626,000) available to offset against future taxable profits. No deferred tax asset has been recognised in respect of such losses and other temporary differences due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$47,837,000 (2008: HK$50,888,000) that will be expired from 2009 to 2012. Other losses and temporary differences may be carried forward indefinitely.

15. CONTINGENT LIABILITIES

On 15 September 1999, LifeTec Enterprise Limited ("LifeTec Enterprise"), a subsidiary of the Company, was named as a defendant in a High Court action in respect of an alleged failure to repay a loan in amount of HK$20,000,000. The plaintiff took out an application for summary judgement under Order 14 of the Rules of the High Court on 6 October 1999 and in the hearing of the application on 25 October 1999, LifeTec Enterprise was given unconditional leave to defend the plaintiff's claim in the above action. LifeTec Enterprise filed its Defense on 8 November 1999. The plaintiff should have filed its reply, if any, 14 days thereafter, but LifeTec Enterprise had not received any reply from the plaintiff and the time for the plaintiff to file the same has long expired and the pleadings should be deemed to be closed. The directors believe that there is no ground for the above claim and it will not have any material adverse impact on the Group's operations.

16. EVENTS AFTER THE REPORTING PERIOD

(a) On 20 January 2010, the Company entered into subscription agreements with three independent third parties. Pursuant to the subscription agreements I, II and III, the Company agreed to issue and the independent third parties agreed to subscribe the Company's convertible debentures in an aggregate principal amount of HK$116,000,000, US$85,500,000 (or approximately HK$662,625,000) and US$1,000,000 (or approximately HK$7,750,000) respectively.

The subscriptions were approved by the Company's shareholders at a special general meeting held on 1 April 2010. The subscriptions for agreement I and III were completed on 14 April 2010 and 20 April 2010 respectively. For the subscription agreement II, the Company has received a partial payment for HK$88,700,000 and agreed the subscription shall be completed on or before 21 October 2010.

Details of the above are set out in the Company's circular dated 16 March 2010 and announcements dated 21 January 2010, 1 March 2010, 1 April 2010, 21 April 2010 and 23 April 2010.

(b) On 30 March 2010, in connection with the Company's convertible debentures in an aggregate amount of HK$112 million (the "Existing Convertible Debentures"), the Company executed the Supplemental Instruments to vary and amend the terms and conditions of the Existing Convertible Debentures by providing for early redemption of the Existing Convertible Debentures at the discretion of the Company.

Details of the above are set out in the Company's announcement dated 30 March 2010.

(c) On 16 April 2010, the Company refunded the Earnest Money, together with interest thereon at the agreed rate of 8% per annum calculated from 11 January 2010 to 16 April 2010, to C Y Foundation Group Limited ("C Y Foundation") in connection with the Subscription Agreement entered into between the Company and C Y Foundation. Following the aforesaid refund, neither party has any claim or liability arising from the termination of the Subscription Agreement.

Details of the above are set out in the Company's circular dated 11 September 2009 and announcements dated 31 December 2009, 11 January 2010 and 19 April 2010.

BUSINESS REVIEW

The year 2009 was an exciting year for the Group. We recorded a significant increase in revenue by 48.3% from approximately HK$219,329,000 for the year ended 31 December 2008 to approximately HK$325,224,000 for the year ended 31 December 2009. The increase in revenue was driven by strong performance in gaming business resulting from the rise in visitation to Macau. The Group's net loss increased by 68.2% from approximately HK$99,441,000 in 2008 to approximately HK$167,239,000 in 2009, mainly due to impairment charges made to certain assets of the biopharmaceutical business.

Gaming Business

The gaming market in Macau has experienced tremendous growth in the last few years. In 2009, we saw a considerable return of visitors to Macau after the easing of credit crunch and improvement of market sentiment especially in the second half of the year. Our devotion during the year in strengthening our business focus on gaming and entertainment in Macau have also effectively improved our operational efficiency.

Gaming revenue accounted for 61.7% of the Group's total revenue in the year 2009, as compared to 43.3% in 2008. The gaming revenue has seen very strong growth, from approximately HK$94,927,000 in 2008 to approximately HK$200,821,000 in 2009, representing an increase of 111.6%. Net loss of gaming business for the year narrowed from approximately HK$65,050,000 to approximately HK$4,455,000, as compared to last year.

We anticipate the number of visitors to Macau and Casino Kam Pek Paradise to surge in the forthcoming years. Given the positive economic outlook in China, the strong support from Macau SAR Government and Macau's geographical advantage, we expect a notable improvement in our performance in the coming years.

Biopharmaceutical Business

The revenue of biopharmaceutical business remained stable at approximately HK$124,403,000 for 2009 as compared to approximately HK$124,402,000 for 2008. Net loss increased from approximately HK$18,183,000 for 2008 to approximately HK$128,270,000 for 2009, mainly due to impairment charges being made.

While we have made commitments in the research and development of new drugs in the past few years, we experienced continued challenges in new medical development resulting from the change in market conditions and new drug developments in Mainland China. We have made impairment charges on the drugs which are expected to be less competitive in market and have much restricted usage together with the related assets to reposition our presence in biopharmaceutical business.

Prospects

The year 2010 is expected to be a rewarding year for the Group with more favourable economic environment and continued support from the government of the People's Republic of China. To cope with the growing casino patronage and expansion of our gaming business, we will open a club house to attract more casino goers with diverse offerings. We are well-positioned to compete favourably and benefit from the rising performance of the gaming industry in Macau. We expect the gaming business will be the key driver of our future revenue growth while the biopharmaceutical business will continue to contribute stable revenue.

Liquidity and Financial Resources

As at 31 December 2009, the Group's aggregate borrowings and finance leases stood at about HK\$67,964,000 of which about HK\$58,764,000 was payable within 12 months and about HK\$9,200,000 was payable between 1 to 2 years. Current liabilities of the Group decreased from about HK\$164,994,000 to about HK\$132,498,000, representing a decrease of 19.7%. The net current liabilities of the Group decreased from about HK\$56,038,000 as at 31 December 2008 to about HK\$55,226,000 as at 31 December 2009. The Group's total liabilities as at 31 December 2009 amounted to about HK\$207,912,000 (2008: HK\$230,729,000) and total assets amounted to about HK\$239,646,000 (2008: HK\$390,200,000). Accordingly, the percentage of total liabilities to total assets as at 31 December 2009 stood at 86.8% which is higher than the corresponding figure of 59.1% as of 31 December 2008.

As at 31 December 2009, the cash on hand and available financial resources were sufficient for financing ongoing activities of the Group.

Foreign Exchange Exposure

The Group's operations are primarily based in the PRC and Macau and the income derived and expenses incurred are denominated in Renminbi ("RMB") and Macau Pataca ("MOP") respectively. On the other hand, expenses of the headquarters are denominated in Hong Kong dollars ("HK\$") and are financed by fund raised in Hong Kong dollars. Due to the relatively matched position among Hong Kong, Macau and the PRC and the stability of the exchange rates between RMB and HK\$ and between MOP and HK\$, the directors do not consider specific hedges for currency fluctuation necessary.

Charges on Group Assets

As at 31 December 2009, the assets of the Group which were subject to charges for securing obligations under finance leases comprised a motor vehicle with net book value amounting to approximately HK\$348,000 (2008: HK\$608,000).

Organization and Staff

The Group had about 305 staff in total as at 31 December 2009. The majority of which included staff of gaming business in Macau and sales and marketing executives in China. The Group is actively seeking key personnel to join our sales and marketing teams in Macau as well as in China in order to cope with the rapid growing operations.

The terms of employment of the staff, executives and directors conform to normal commercial practice. Share option benefits are granted to and included in the terms of selected senior executives of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2009 except for certain deviations disclosed herein.

Code Provision A.1.1

The Board schedules four meetings a year and also meets as and when required. During the year, the Board held two regular meetings. The number of regular meetings held during the year fell short of the four times a year as set out in A.1.1 of the Code was due to the conflicting schedules of the members of the Board which rendered it complicated to arrange for such meetings.

Code Provision A.2.1

Mr. Jay Chun is the Chairman and the Managing Director of the Company. In the opinion of the Board, the roles of the managing director and the chief executive officer are the same. Although under A.2.1 of the Code, the roles of the Chairman and chief executive officer should be separated and should not be performed by the same individual, the Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. Hence, the Board believes that it is in the best interest of the shareholders of the Company that Mr. Jay Chun will continue to assume the roles of the Chairman of the Board and the Managing Director of the Company. However, the Company will review the current structure as and when it becomes appropriate in future.

Code Provision A.4.1

Under A.4.1 of the Code, the non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the Independent Non-executive Directors is appointed for a specific term. However, all Directors (including the Independent Non-executive Directors) are subject to retirement by rotation at least once every three years at the annual general meeting of the Company in accordance with the provision of the Bye-laws of the Company, and their terms of appointment will be reviewed when they are due for re-election.

Code Provision E.1.2

The annual general meeting held on 5 June 2009 was chaired by Ms. Ho Suet Man Stella, a duly appointed proxy of a shareholder of the Company, instead of Mr. Jay Chun, the Chairman of the Board. Mr. Jay Chun did not attend the annual general meeting 2009 as he was engaged in other commitments of the Company. In accordance with the Code, Mr. Jay Chun should attend the annual general meeting of the Company.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. Frank Hu (Chairman of the Audit Committee), Mr. Li John Zongyang and Mr. Hu Wenxiang.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2009.

The Chairman of the Audit Committee, Mr. Frank Hu, possesses relevant financial management expertise and meets the requirements of Rule 3.21 of the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the requirements set out in the Model Code during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our shareholders, bankers, professional parties and customers for their continuous support. I would also like to thank our executives and staff for their dedication and professionalism.

As at the date of this announcement, the executive directors of the Company are Mr. Jay Chun (*Chairman and Managing Director*), Mr. Shan Shiyong, alias, Sin Sai Yung and Dr. Ma Xianming, alias, Ma Yin Ming and the independent non-executive directors of the Company are Mr. Frank Hu, Mr. Li John Zongyang and Mr. Hu Wenxiang.

By Order of the Board
Paradise Entertainment Limited
Jay Chun
Chairman and Managing Director

Hong Kong, 26 April 2010

* *For identification purpose only*